

Introduced by Senator Maldonado

February 23, 2006

An act to amend Sections 1622 and 42127 of the Education Code, relating to school finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1514, as introduced, Maldonado. School finance: retirement benefit liabilities.

Existing law requires the superintendent of a school district or county superintendent of schools, as appropriate, to annually provide information, based on an actuarial report as specified, to the governing board of the school district or the county board of education, as appropriate, regarding the estimate accrued but unfunded cost of any health and welfare benefits that the school district or county office of education provides to employees upon their retirement that continue after the employees reach 65 years of age. Existing law also requires the superintendent of the school district or the county superintendent of schools, as appropriate, to present the cost information and a copy of the actuarial report on which the costs are based at a public meeting of the governing board of the school district or the county board of education, as appropriate. Existing law requires the governing board of the school district or the county board of education, as appropriate, to disclose at that meeting whether or not it will reserve a sufficient amount of money in its budget to fund the present value of the benefits of existing retirees, the future cost of benefits of employees who are eligible for benefits in the current fiscal year, or both, and to certify to the county superintendent of schools or the Superintendent of Public Instruction, as appropriate, the amount of money, if any, that has been reserved in the applicable budget for the cost of the benefits.

Existing law requires the budget of a school district to be approved by its governing board or county office of education, as applicable, and then by the county superintendent of schools or the Superintendent, respectively, as specified.

This bill would prohibit the Superintendent from approving a county board of education budget, as specified, unless the budget discloses the long-term liabilities of the school district or school districts governed by the county board for retirement benefits, based on actuarial studies, and includes a plan for satisfying those obligations that is demonstrated by the proposed budget and accompanying documentation. This bill also would prohibit a county superintendent of schools from developing or approving a school district budget, as specified, unless the budget discloses the long-term liabilities of the school district for retirement benefits, based on actuarial studies, and includes a plan for satisfying those obligations that is demonstrated by the proposed budget and accompanying documentation.

This bill also would make technical, nonsubstantive changes to those provisions of existing law.

By prohibiting the approval of the budgets of county boards of education or school districts with governing boards unless they contain the specified information on long-term liabilities for retirement benefits related to the applicable school district or school districts and a plan for satisfying those obligations, this bill would require county boards of education and school districts to undertake actions to meet those requirements, which extend beyond the current requirements for county boards of education and school districts, thereby imposing a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1622 of the Education Code is amended
2 to read:

3 1622. (a) On or before July 1 of each fiscal year, the county
4 board of education shall adopt an annual budget for the budget
5 year and shall file that budget with the Superintendent of ~~Public~~
6 ~~Instruction~~, the county board of supervisors, and the county
7 auditor. The budget, and supporting data, shall be maintained and
8 made available for public review. The budget shall indicate the
9 date, time, and location at which the county board of education
10 held the public hearing required under Section 1620.

11 (b) The Superintendent of ~~Public Instruction~~ shall examine the
12 budget to determine whether it (1) complies with the standards
13 and criteria adopted by the ~~State Board of Education~~ *state board*
14 pursuant to Section 33127 for application to final local
15 educational agency budgets, (2) allows the county office of
16 education to meet its financial obligations during the fiscal year,
17 and (3) is consistent with a financial plan that will enable the
18 county office of education to satisfy its multiyear financial
19 commitments. In addition, the Superintendent shall identify any
20 technical corrections to the budget that must be made. On or
21 before August 15, the Superintendent of ~~Public Instruction~~ shall
22 approve or disapprove the budget and, in the event of a
23 disapproval, transmit to the county office of education in writing
24 his or her recommendations regarding revision of the budget and
25 the reasons for those recommendations.

26 (c) On or before September 8, the county board of education
27 shall revise the county office of education budget to reflect
28 changes in projected income or expenditures subsequent to July
29 1, and to include any response to the recommendations of the
30 Superintendent of ~~Public Instruction~~, shall adopt the revised
31 budget, and shall file the revised budget with the Superintendent
32 of ~~Public Instruction~~, the county board of supervisors, and the
33 county auditor. Prior to revising the budget, the county board of
34 education shall hold a public hearing regarding the proposed
35 revisions, which shall be made available for public inspection not
36 less than three working days prior to the hearing. The agenda for
37 that hearing shall be posted at least 72 hours prior to the public
38 hearing and shall include the location where the budget will be

1 available for public inspection. The revised budget, and
2 supporting data, shall be maintained and made available for
3 public review.

4 (d) The Superintendent of ~~Public Instruction~~ shall examine the
5 revised budget to determine whether it complies with the
6 standards and criteria adopted by the ~~State Board of Education~~
7 *state board* pursuant to Section 33127 for application to final
8 local educational agency budgets and, no later than October 8,
9 shall approve or disapprove the revised budget. If the
10 Superintendent of ~~Public Instruction~~ disapproves the budget, he
11 or she shall call for the formation of a budget review committee
12 pursuant to Section 1623.

13 (e) Notwithstanding any other provision of this section, the
14 budget review for a county office of education shall be governed
15 by paragraphs (1), (2), and (3) of this subdivision, rather than by
16 subdivisions (c) and (d), if the county board of education so
17 elects, and notifies the Superintendent of ~~Public Instruction~~ in
18 writing of that decision, no later than October 31 of the
19 immediately preceding calendar year.

20 (1) In the event of the disapproval of the budget of a county
21 office of education pursuant to subdivision (b), on or before
22 September 8, the county superintendent of schools and the
23 county board of education shall review the recommendations of
24 the Superintendent of ~~Public Instruction~~ at a regularly scheduled
25 meeting of the county board of education and respond to those
26 recommendations. That response shall include the proposed
27 actions to be taken, if any, as a result of those recommendations.

28 (2) No later than October 8, after receiving the response
29 required under paragraph (1), the Superintendent of ~~Public~~
30 ~~Instruction~~ shall review that response and either approve or
31 disapprove the budget of the county office of education. If the
32 Superintendent of ~~Public Instruction~~ disapproves the budget, he
33 or she shall call for the formation of a budget review committee
34 pursuant to Section 1623.

35 (3) Not later than 45 days after the Governor signs the annual
36 Budget Act, the county office of education shall make available
37 for public review any revisions in revenues and expenditures that
38 it has made to its budget to reflect the funding made available by
39 that Budget Act.

1 (f) *The Superintendent shall not approve a county board of*
2 *education budget pursuant to this section unless the budget*
3 *discloses the long-term liabilities of the school district or school*
4 *districts governed by the county board for retirement benefits,*
5 *based on actuarial studies, and includes a plan for satisfying*
6 *those obligations that is demonstrated by the proposed budget*
7 *and accompanying documentation.*

8 SEC. 2. Section 42127 of the Education Code is amended to
9 read:

10 42127. (a) On or before July 1 of each year, the governing
11 board of each school district shall accomplish the following:

12 (1) Hold a public hearing on the budget to be adopted for the
13 subsequent fiscal year. The budget to be adopted shall be
14 prepared in accordance with Section 42126. The agenda for that
15 hearing shall be posted at least 72 hours prior to the public
16 hearing and shall include the location where the budget will be
17 available for public inspection.

18 (2) Adopt a budget. Not later than five days after that adoption
19 or by July 1, whichever occurs first, the governing board shall
20 file that budget with the county superintendent of schools. That
21 budget and supporting data shall be maintained and made
22 available for public review. If the governing board of the *school*
23 district does not want all or a portion of the property tax
24 requirement levied for the purpose of making payments for the
25 interest and redemption charges on indebtedness as described in
26 paragraph (1) or (2) of subdivision (b) of Section 1 of Article
27 XIII A of the California Constitution, the budget shall include a
28 statement of the amount or portion for which a levy shall not be
29 made.

30 (b) The county superintendent of schools may accept changes
31 in any statement included in the budget, pursuant to subdivision
32 (a), of the amount or portion for which a property tax levy shall
33 not be made. The county superintendent or the county auditor
34 shall compute the actual amounts to be levied on the property tax
35 rolls of the *school* district for purposes that exceed
36 apportionments to the district pursuant to Chapter 6
37 (commencing with Section 95) of Part 0.5 of Division 1 of the
38 Revenue and Taxation Code. Each school district shall provide
39 all data needed by the county superintendent or the county
40 auditor to compute the amounts. On or before August 15, the

1 county superintendent shall transmit the amounts computed to
2 the county auditor who shall compute the tax rates necessary to
3 produce the amounts. On or before September 1, the county
4 auditor shall submit the rate computed to the board of supervisors
5 for adoption.

6 (c) The county superintendent of schools shall do all of the
7 following:

8 (1) Examine the adopted budget to determine whether it
9 complies with the standards and criteria adopted by the ~~State~~
10 ~~Board of Education~~ *state board* pursuant to Section 33127 for
11 application to final local educational agency budgets. The county
12 superintendent shall identify, if necessary, any technical
13 corrections that are required to be made to bring the budget into
14 compliance with those standards and criteria.

15 (2) Determine whether the adopted budget will allow the
16 *school* district to meet its financial obligations during the fiscal
17 year and is consistent with a financial plan that will enable the
18 *school* district to satisfy its multiyear financial commitments. In
19 addition to his or her own analysis of the budget of each school
20 district, the county superintendent of schools shall review and
21 consider studies, reports, evaluations, or audits of the school
22 district that were commissioned by the district, the county
23 superintendent, the Superintendent, and state control agencies
24 and that contain evidence that the school district is showing fiscal
25 distress under the standards and criteria adopted in Section 33127
26 or that contain a finding by an external reviewer that more than
27 three of the 15 most common predictors of a school district
28 needing intervention, as determined by the County Office Fiscal
29 Crisis and Management Assistance Team, are present. The
30 county superintendent of schools shall either conditionally
31 approve or disapprove a budget that does not provide adequate
32 assurance that the district will meet its current and future
33 obligations and resolve any problems identified in studies,
34 reports, evaluations, or audits described in this paragraph.

35 (d) On or before August 15, the county superintendent of
36 schools shall approve, conditionally approve, or disapprove the
37 adopted budget for each school district. If a school district does
38 not submit a budget to the county superintendent of schools, the
39 county superintendent of schools shall, at district expense,
40 develop a budget for that school district by September 15 and

1 transmit that budget to the governing board of the school district.
2 The budget prepared by the county superintendent of schools
3 shall be deemed adopted, unless the county superintendent of
4 schools approves any modifications made by the governing board
5 of the school district. The approved budget shall be used as a
6 guide for the ~~district's~~ *priorities of the district*. The
7 Superintendent shall review and certify the budget approved by
8 the county. If, pursuant to the review conducted pursuant to
9 subdivision (c), the county superintendent of schools determines
10 that the adopted budget for a school district does not satisfy
11 paragraph (1) or (2) of that subdivision, he or she shall
12 conditionally approve or disapprove the budget and, not later
13 than August 15, transmit to the governing board of the school
14 district, in writing, his or her recommendations regarding
15 revision of the budget and the reasons for those
16 recommendations, including, but not limited to, the amounts of
17 any budget adjustments needed before he or she can
18 conditionally approve that budget. The county superintendent of
19 schools may assign a fiscal adviser to assist the district to
20 develop a budget in compliance with those revisions. In addition,
21 the county superintendent of schools may appoint a committee to
22 examine and comment on the ~~superintendent's~~ review and
23 *recommendations of the superintendent*, subject to the
24 requirement that the committee report its findings to the
25 superintendent no later than August 20.

26 (e) On or before September 8, the governing board of the
27 school district shall revise the adopted budget to reflect changes
28 in projected income or expenditures subsequent to July 1, and to
29 include any response to the recommendations of the county
30 superintendent of schools, shall adopt the revised budget, and
31 shall file the revised budget with the county superintendent of
32 schools. Prior to revising the budget, the governing board shall
33 hold a public hearing regarding the proposed revisions, to be
34 conducted in accordance with Section 42103. In addition, if the
35 adopted budget is disapproved pursuant to subdivision (d), the
36 governing board and the county superintendent of schools shall
37 review the disapproval and the recommendations of the county
38 superintendent of schools regarding revision of the budget at the
39 public hearing. The revised budget and supporting data shall be
40 maintained and made available for public review.

1 (f) On or before September 22, the county superintendent of
2 schools shall provide a list to the Superintendent identifying all
3 school districts for which budgets may be disapproved.

4 (g) The county superintendent of schools shall examine the
5 revised budget to determine whether it (1) complies with the
6 standards and criteria adopted by the ~~State Board of Education~~
7 *state board* pursuant to Section 33127 for application to final
8 local educational agency budgets, (2) allows *school* the district
9 to meet its financial obligations during the fiscal year, (3)
10 satisfies all conditions established by the county superintendent
11 of schools in the case of a conditionally approved budget, and (4)
12 is consistent with a financial plan that will enable the *school*
13 district to satisfy its multiyear financial commitments, and, not
14 later than October 8, shall approve or disapprove the revised
15 budget. If the county superintendent of schools disapproves the
16 budget, he or she shall call for the formation of a budget review
17 committee pursuant to Section 42127.1, unless the governing
18 board of the school district and the county superintendent of
19 schools agree to waive the requirement that a budget review
20 committee be formed and the department approves the waiver
21 after determining that a budget review committee is not
22 necessary. Upon the grant of a waiver, the county superintendent
23 has the authority and responsibility provided to a budget review
24 committee in Section 42127.3. Upon approving a waiver of the
25 budget review committee, the department shall ensure that a
26 balanced budget is adopted for the school district by November
27 30. If no budget is adopted by November 30, the Superintendent
28 may adopt a budget for the school district. The Superintendent
29 shall report to the Legislature and the Director of Finance by
30 December 10 if any *school*, district, including a *school* district
31 that has received a waiver of the budget review committee
32 process, does not have an adopted budget by November 30. This
33 report shall include the reasons why a budget has not been
34 adopted by the deadline, the steps being taken to finalize budget
35 adoption, the date the adopted budget is anticipated, and whether
36 the Superintendent has or will exercise his or her authority to
37 adopt a budget for the school district.

38 (h) Not later than October 8, the county superintendent of
39 schools shall submit a report to the Superintendent identifying all
40 school districts for which budgets have been disapproved or

1 budget review committees waived. The report shall include a
2 copy of the written response transmitted to each of those *school*
3 districts pursuant to subdivision (d).

4 (i) Notwithstanding any other provision of this section, the
5 budget review for a school district shall be governed by
6 paragraphs (1), (2), and (3) of this subdivision, rather than by
7 subdivisions (e) and (g), if the governing board of the school
8 district so elects and notifies the county superintendent in writing
9 of that decision, not later than October 31 of the immediately
10 preceding calendar year. On or before July 1, the governing
11 board of a school district for which the budget review is
12 governed by this subdivision, rather than by subdivisions (e) and
13 (g), shall conduct a public hearing regarding its proposed budget
14 in accordance with Section 42103.

15 (1) If the adopted budget of a school district is disapproved
16 pursuant to subdivision (d), on or before September 8, the
17 governing board of the school district, in conjunction with the
18 county superintendent of schools, shall review the
19 ~~superintendent's~~ *recommendations of the superintendent* at a
20 regular meeting of the governing board and respond to those
21 recommendations. The response shall include any revisions to the
22 adopted budget and other proposed actions to be taken, if any, as
23 a result of those recommendations.

24 (2) On or before September 22, the county superintendent of
25 schools will provide a list to the Superintendent identifying all
26 school districts for which a budget may be tentatively
27 disapproved.

28 (3) Not later than October 8, after receiving the response
29 required under paragraph (1), the county superintendent of
30 schools shall review that response and either approve or
31 disapprove the budget. If the county superintendent of schools
32 disapproves the budget, he or she shall call for the formation of a
33 budget review committee pursuant to Section 42127.1, unless the
34 governing board of the school district and the county
35 superintendent of schools agree to waive the requirement that a
36 budget review committee be formed and the department approves
37 the waiver after determining that a budget review committee is
38 not necessary. Upon the grant of a waiver, the county
39 superintendent has the authority and responsibility provided to a
40 budget review committee in Section 42127.3. Upon approving a

1 waiver of the budget review committee, the department shall
2 ensure that a balanced budget is adopted for the school district by
3 November 30. The Superintendent shall report to the Legislature
4 and the Director of Finance by December 10 if any *school*
5 district, including a *school* district that has received a waiver of
6 the budget review committee process, does not have an adopted
7 budget by November 30. This report shall include the reasons
8 why a budget has not been adopted by the deadline, the steps
9 being taken to finalize budget adoption, and the date the adopted
10 budget is anticipated.

11 (4) Not later than 45 days after the Governor signs the annual
12 Budget Act, the school district shall make available for public
13 review any revisions in revenues and expenditures that it has
14 made to its budget to reflect the funding made available by that
15 Budget Act.

16 (j) Any school district for which the county board of education
17 serves as the governing board is not subject to subdivisions (c) to
18 (h), inclusive, but is governed instead by the budget procedures
19 set forth in Section 1622.

20 (k) *A county superintendent of schools shall not develop or*
21 *approve a school district budget pursuant to this section unless*
22 *the budget discloses the long-term liabilities of the school district*
23 *for retirement benefits, based on actuarial studies, and includes*
24 *a plan for satisfying those obligations that is demonstrated by the*
25 *proposed budget and accompanying documentation.*

26 SEC. 3. If the Commission on State Mandates determines that
27 this act contains costs mandated by the state, reimbursement to
28 local agencies and school districts for those costs shall be made
29 pursuant to Part 7 (commencing with Section 17500) of Division
30 4 of Title 2 of the Government Code.